

## Message Text

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FM AMEMBASSY BONN  
TO SECSTATE WASHDC PRIORITY 6468  
INFO USMISSION USNATO  
CINC USAREUR HEIDELBERG  
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E.O. 11652: GDS  
TAGS: MASS, PCAT, GW  
SUBJECT: INFORMATION NEEDS ON WEST EUROPEAN CONVENTIONAL  
ARMS TRANSFERS TO THIRD WORLD

REFS: A) STATE 45364 DTG 221440Z FEB 78  
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BEGIN SUMMARY: THE FRG HAS REACTED FAVORABLY TO US  
INITIATIVE ON ARMS TRANSFER RESTRAINT. TWO 1961 LAWS  
GOVERN FRG ARMS EXPORTS AND IN 1971 THE FEDERAL SECURITY  
COUNCIL ISSUED ADDITIONAL POLITICAL GUIDELINES TO  
INTERPRET THE LAWS. THE FRG HAS, IN GENERAL, STRICTLY  
IMPLEMENTED BOTH LAWS AND GUIDELINES. MOVEMENT TO  
LIBERALIZE THE RESTRICTIVE EXPORT POLICIES HAS BEEN  
CONSTRAINED BY DOMESTIC POLITICAL CONSIDERATIONS AND  
LABOR UNION LEADERSHIP OPPOSITION. ONLY IN THE SHIP-  
BUILDING AREA HAS THE FEDERAL SECURITY COUNCIL SHOWN  
ANY MAJOR FLEXIBILITY, THIS OWING LARGELY TO THE LACK  
OF FULL PRODUCTION IN FRG SHIPYARDS AND THE CONCOMITANT  
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HIGH UNEMPLOYMENT IN THAT INDUSTRY. GREATEST WEAKNESS  
IN FRG CONTROLS EXISTS IN THE AREA OF BI AND TRILATERAL  
PRODUCTION VENTURES WITH OTHER NATO ALLIES WHERE  
INCREASING POSSIBILITY EXISTS FOR CIRCUMVENTING ANY ONE  
NATION'S ARMS EXPORT POLICIES. EMBASSY WILL CONTINUE  
TO REPORT ON THIS SUBJECT AS ADDITIONAL DATA BECOMES  
AVAILABLE. END SUMMARY.

1. WORLD WAR II TOTALLY SHATTERED THE ONCE POWERFUL GERMAN ARMAMENTS INDUSTRY. THUS WHEN THE BUNDESWEHR WAS RECREATED IN THE EARLY 50'S, NOT WITHOUT MASSIVE INTERNAL POLITICAL OPPOSITION, IT WAS OVERWHELMINGLY EQUIPPED WITH AMERICAN WEAPONS AND EQUIPMENT. THE FRG, BURDENED BY ITS HISTORICAL LEGACY, FOLLOWED A CONSCIOUS POLICY OF NOT DEVELOPING A SIGNIFICANT NATIONAL ARMS INDUSTRY. IT WAS NOT UNTIL THE LATE 1950'S THAT A NASCENT ARMS INDUSTRY WAS AGAIN ALLOWED TO BEGIN PRODUCTION.

2. TO AVOID ENCOURAGING THE EXPANSION OF ARMS PRODUCTION THE FRG IN 1961 PASSED THE COMBAT ARMS CONTROL LAW WHICH ESTABLISHED FIRM GOVERNMENTAL CONTROLS OVER WEAPONS EXPORTS. IN 1971, THE GOVERNMENT LAID DOWN AN ADDITIONAL THREE POLITICAL PRINCIPLES CONCERNING THE EXPORT OF MILITARY ARMS AND EQUIPMENT IN ORDER TO PROVIDE CLEARER GUIDELINES TO THE RESPONSIBLE OFFICIALS CHARGED WITH IMPLEMENTING THE LEGAL CONTROLS SET FORTH IN THE 1961 LAW AND FOREIGN ECONOMIC RELATIONS ACT.

3. THE APPROPRIATE STATUTES AND ADMINISTRATIVE PROCEDURES GOVERNING ARMS EXPORTS FROM THE FRG ARE OUTLINED BELOW.

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4. ARTICLE 26 OF THE BASIC LAW OF THE FEDERAL REPUBLIC OUTLINES THE FRG'S BASIC PRECEPTS IN RELATION TO THE MANUFACTURE AND EXPORT OF ARMS. IT READS AS FOLLOWS:

(1) ACTS TENDING TO AND UNDERTAKEN WITH THE INTENT TO DISTURB THE PEACEFUL RELATIONS BETWEEN NATIONS, ESPECIALLY TO PREPARE FOR AGGRESSIVE WAR, SHALL BE UNCONSTITUTIONAL. THEY SHALL BE MADE A PUNISHABLE OFFENCE.

(2) WEAPONS DESIGNED FOR WARFARE MAY NOT BE MANUFACTURED, TRANSPORTED OR MARKETING EXCEPT WITH THE PERMISSION OF THE FEDERAL GOVERNMENT. DETAILS SHALL BE REGULATED BY A FEDERAL LAW.

5. THE TWO FEDERAL LAWS GOVERNING ARMS EXPORTS PRO-

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CINC USAREUR HEIDELBERG

CINC USAFE RAMSTEIN

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MULGATED IN ACCORDANCE WITH ARTICLE 26 ARE THE MILITARY ARMS CONTROL ACT DATED APRIL 20, 1961 AND THE FOREIGN ECONOMIC RELATIONS ACT DATED APRIL 28, 1961. THE FORMER ACT PROVIDES THAT AUTHORIZATION FOR ARMS EXPORTS CAN BE DENIED IF IT IS BELIEVED THAT THE ISSUANCE OF SUCH AUTHORIZATION WOULD RUN COUNTER TO THE INTEREST OF THE FEDERAL REPUBLIC IN MAINTAINING GOOD RELATIONS TO OTHER COUNTRIES. THE EXPORT AUTHORIZATION IS TO BE DENIED IF THE DANGER EXISTS THAT THE ARMS IN QUESTION WILL BE USED IN A MANNER WHICH DISTURBS THE PEACE, IN PARTICULAR A WAR OF AGGRESSION. AUTHORIZATION TO EXPORT ARMS IS ALSO TO BE DENIED IF IT IS BELIEVED THAT THE GRANTING OF THE AUTHORIZATION WOULD BE INJURIOUS TO THE INTERNATIONAL OBLIGATIONS OF THE FEDERAL REPUBLIC OR WOULD ENDANGER THEIR FULFILLMENT.

6. ARTICLE 7 OF THE FOREIGN ECONOMIC RELATIONS ACT ADDRESSES THE PROTECTION OF THE FRG'S SECURITY AND

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FOREIGN INTERESTS. AS IN THE MILITARY ARMS CONTROL ACT, THE FEDERAL GOVERNMENT IS AUTHORIZED TO LIMIT THE TRAFFIC IN ARMS AND MUNITIONS IN ORDER TO GUARANTEE

THE SECURITY OF THE FRG, TO PREVENT A DISTURBANCE OF THE PEACEFUL COOPERATION OF PEOPLES, OR TO PREVENT A "CONSIDERABLE" DISTURBANCE OF THE FRG'S FOREIGN RELATIONS.

7. ON JUNE 16, 1971, THE FEDERAL CABINET PROVIDED POLITICAL GUIDELINES TO INTERPRET THE 1961 ACTS. THESE GUIDELINES ESTABLISHED THE POLICY THAT THE FRG WILL NOT EXPORT ARMS INTO "AREAS OF TENSION." SUCH "AREAS OF TENSION" HAVE NOT BEEN DEFINED ON PAPER, BUT ARE SUBJECT TO DETERMINATION ON A CASE-BY-CASE BASIS WHEN A GERMAN ARMS MANUFACTURER SUBMITS AN APPLICATION FOR AUTHORIZATION TO EXPORT ARMS. THE FRG'S GENERAL PRACTICE HAS BEEN TO PERMIT THE EXPORT OF WEAPONS TO NATO COUNTRIES AND TO DENY PERMISSION FOR EXPORTS TO NON-NATO COUNTRIES. HOWEVER, EXCEPTIONS HAVE BEEN MADE TO THIS POLICY.

8. TO PREVENT THE TRANSFER OF ARMS TO THIRD COUNTRIES, THE FRG REQUIRES AN IMPORTING COUNTRY TO PROVIDE AN END-USE CERTIFICATION. THIS IS NOT DONE ON A DIRECT GOVERNMENT-TO-GOVERNMENT BASIS. INSTEAD IT IS THE RESPONSIBILITY OF THE GERMAN EXPORTER TO OBTAIN THE END-USE CERTIFICATION WHICH IS PREPARED IN A "TO WHOM IT MAY CONCERN" FORMAT. THE END-USE CERTIFICATION THEN FORMS A PART OF THE APPLICATION SUBMITTED TO THE FRG BY THE FIRM DESIRING TO EXPORT THE ARMS. ALTHOUGH AS A GENERAL RULE END-USE CERTIFICATIONS ARE NOT REQUIRED OF NATO ALLIES, THE FRG DOES REQUIRE THEM FROM GREECE, TURKEY AND PORTUGAL.

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9. THE 1971 GOVERNMENTAL GUIDELINES LAID DOWN THREE BASIC POLITICAL PRINCIPLES CONCERNING THE EXPORT OF MILITARY ARMS AND EQUIPMENT. THEY STATED THAT:

A. MILITARY ARMS AND EQUIPMENT MAY, AS A GENERAL RULE, BE EXPORTED TO NATO COUNTRIES WITHOUT RESTRICTIONS.

B. MILITARY ARMS MAY BE EXPORTED TO NON-NATO COUNTRIES ONLY WITH THE SPECIAL APPROVAL OF THE GOVERNMENT.

C. MILITARY ARMS MUST NOT BE EXPORTED TO AREAS OF TENSION. ALSO, THE EXPORT OF OTHER MILITARY EQUIPMENT MUST BE DISAPPROVED IF A DISTURBANCE OF THE FOREIGN RELATIONS BETWEEN NATIONS OR A CONSIDERABLE DISTURBANCE OF THE FOREIGN RELATIONS OF THE FRG IS TO BE FEARED.

10. THE FRG HAS CONSISTENTLY MAINTAINED A STRICT

INTERPRETATION OF THE 1971 GUIDELINES. THE GOVERNMENT'S POSITION WAS REAFFIRMED AGAIN AT THE 1975 SPD NATIONAL PARTY CONGRESS.

11. IN MAY OF 1977, THE FEDERAL GOVERNMENT IN RESPONSE TO BUNDESTAG INQUIRIES ON THE DEFENSE AND SECURITY POLICY OF THE FEDERAL GOVERNMENT STATED THAT "THE FEDERAL GOVERNMENT SUPPORTS EFFORTS TO IMPROVE INTERNATIONAL HUMANITARIAN LAW AND INITIATIVES ORIENTED TOWARDS CONSTRAINTS IN CONVENTIONAL WEAPONS TRANSFER. WITH THE SELF-IMPOSED RESTRICTIONS GOVERNING HER ARMS EXPORT POLICY THE FRG IS UNPARALLELED IN THE GROUP OF THE HIGHLY INDUSTRIALIZED NATIONS. THE FRG GOVERNMENT IS WILLING TO HELP DEVELOP INTERNATIONAL AGREEMENTS AS LONG AS THESE ARE IN KEEPING WITH ITS

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POLICY OF STABILIZING INTERNATIONAL RELATIONSHIPS UNDER CONDITIONS THAT EXCLUDE DISCRIMINATION AGAINST ANY MEMBER OF THE FAMILY OF MAN."

12. THE SOARING INCREASE OF WORLDWIDE ARMS TRANSFERS TO THE THIRD WORLD HAS PRODUCED PRESSURE ON THE FRG TO LIBERALIZE ARMS EXPORTS. THE RELATIVE ADVANTAGE OF

THE FRG WITHIN THE ESTABLISHED SYSTEM OF INTERNATIONAL TRADE HAS BEEN THE EXPORT OF CAPITAL GOODS. THUS ARMS EXPORTS IN GENERAL REPRESENT STRUCTURALLY A DISADVANTAGE FOR THE TRADING POSITION OF THE FRG IN THAT AS THE LDCS SPEND THE LIMITED FUNDS FOR MILITARY HARDWARE, THEY REDUCE THE CHANCES FOR FRG EXPORTS FOR NON-MILITARY REQUIREMENTS IN THESE COUNTRIES. IN SPITE OF THESE FACTORS THE FRG STILL MAINTAINS THE MOST RESTRICTIVE ARMS EXPORT CRITERION AMONG THE MAJOR ARMS SUPPLIERS AND ITS CURRENT ARMS EXPORTS REMAIN SMALL BY GLOBAL STANDARDS.

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13. THE FRG HAS WELCOMED THE U.S. INITIATIVES ON ARMS TRANSFER RESTRAINT. AS A RESULT OF THE US LEAD ON THIS ISSUE THE FRG IS REEXAMING ITS OWN ROLE IN ARMS SALES AND TRANSFERS, TO DETERMINE IF CURRENT FRG POLICIES ARE FULLY CONSISTENT WITH THE POLITICAL AND FOREIGN POLICY GOALS OF THE FEDERAL REPUBLIC. TO THIS END AN AD HOC GROUP HAS BEEN ESTABLISHED IN THE PLANNING GROUP OF THE FOREIGN OFFICE TO EXAMINE CURRENT FRG POLICY AND TO STUDY THE NEW AMERICAN INITIATIVE IN ORDER TO PROVIDE A SUBSTANTIVE INPUT DURING FUTURE US/FRG BILATERAL MEETINGS ON THIS SUBJECT.

14. ARMS TRANSFER DECISIONS IN THE FRG ARE NORMALLY PROCESSED AT THE OFFICE DIRECTOR LEVEL THROUGH THE MINISTERS OF FOREIGN AFFAIRS, DEFENSE AND ECONOMICS. ALL EXPORT LICENSES MUST BE CLEARED BY THE RESPECTIVE OFFICE DIRECTORS IN THE THREE MINISTRIES. ANY POLITICALLY SIGNIFICANT DECISION CONCERNING THE EXPORT OF GERMAN ARMS IS TAKEN UP BY THE FEDERAL SECURITY COUNCIL.

15. ALTHOUGH THE OPPOSITION CDU/CSU WOULD HAVE NO OBJECTION TO A LIBERALIZING OF ARMS EXPORTS THE GOVERNMENT COALITION LEADERSHIP HAS THUS FAR BEEN CONSTRAINED FROM DOING SO FOR DOMESTIC REASONS.

16. CERTAIN QUARTERS IN THE FRG HAVE SUGGESTED THAT INCREASED ARMS EXPORTS MIGHT HELP REDUCE THE 1,224,069 UNEMPLOYMENT FIGURE, CURRENTLY 5.4 PERCENT OF THE LABOR FORCE. EVEN IF ARMS EXPORTS WERE DOUBLED, THE EFFECT ON THE UNEMPLOYMENT SITUATION WOULD BE MINIMAL. ADDITIONALLY, THERE HAS BEEN STRONG AND CONTINUING

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OPPOSITION TO EXPANDED ARMS EXPORTS BY THE UNION  
LEADERSHIP ON POLITICAL AND MORAL GROUNDS.

17. INDUSTRY DEVELOPMENT AND EXPANSION IS NOT DESIGNED  
TO SUPPORT ARMS EXPORT NOR IS THERE A REAL ECONOMIC  
NEED FOR EXPANDING ARMS EXPORTS. FRG DEFENSE INDUSTRIES  
HAVE BEEN STRUCTURED TO FILL BUNDESWEHR OR NATO NEEDS.

18. NO MAJOR CHANGES IN ARMS PRODUCTION CAPABILITIES  
ARE IN PROSPECT. INTERNAL ECONOMIC AND POLITICAL  
PRESSURES DO EXIST TO ALLOW A LIBERALIZATION OF  
ARMS EXPORTS IN THE SHIPBUILDING AREA. THE HANSA

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SHIPYARDS ARE UNDER CONSIDERABLE PRESSURE TO MAINTAIN  
FULLER EMPLOYMENT AND THE GOVERNMENT HAS TENDED TO BE  
MORE FLEXIBLE IN ALLOWING EXPORT PERMITS FOR NAVAL  
VESSELS SINCE THEY VIEW THEM AS PRESTIGE WEAPONS.

19. A BASIC TENET OF FRG DEFENSE POLICY IS TO FAVOR  
ARMS STANDARDIZATION WITHIN NATO. THIS IS THE PRINCIPLE

REASON WHY THE FRG HAS ENTERED NUMEROUS CO-PRODUCTION AGREEMENTS. IT IS IN THESE BI AND TRILATERAL VENTURES HOWEVER, THAT THE GREATEST POSSIBILITY EXISTS FOR CIRCUMVENTING ANY ONE NATION'S ARMS EXPORT POLICIES. A NATIONAL FOCUS THUS NO LONGER PROVIDES A COMPREHENSIVE OVERVIEW OF THE ARMS SALES AND EXPORTS OF ANY ONE NATION. IT IS THEREFORE ESSENTIAL IN THE EUROPEAN (NATO) CONTEXT TO OBTAIN COMPARATIVE DATA FROM MULTIPLE SOURCES IN ORDER TO DEVELOP A VALID ASSESSMENT OF ACTUAL ARMS SALES AND EXPORTS.

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20. OUR REPORTING ON THIS SUBJECT DOES NOT CLAIM TO PROVIDE COMPREHENSIVE ANSWERS TO ALL THE QUESTIONS OUTLINED IN PARAGRAPHS 2B AND C OF REFTEL. WE FEEL, HOWEVER, THAT THE INFORMATION DEVELOPED TO DATE PROVIDES A POINT OF DEPARTURE FOR FUTURE REPORTING ON THIS SUBJECT. WE WILL CONTINUE TO EXPLORE OTHER SOURCES OF INFORMATION AND INTENSIFY OUR EFFORTS IN THE COMING MONTHS TO REPORT ADDITIONAL ASSESSMENTS IN THIS FIELD AS THEY BECOME FEASIBLE.  
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